



Survey Results

We asked business leaders to make their voices heard.
This is what they had to say.



Letter from Governor Mary Fallin



The Oklahoma Department of Commerce, working with private and public sector partners, has completed unprecedented research into how to further improve the economic climate so businesses can grow and flourish. This exciting project was about doing something different in Oklahoma. It was about hearing directly from our Oklahoma employers about what can most aid business growth.

We've made a great start in advance of this survey. Our focus on job growth has led to legislative victories that have significantly improved Oklahoma's business climate. These forward steps include major reforms to our legal system and to workers' compensation, the creation of a quick action closing fund, one-stop shop business licensing, and support of initiatives strengthening Oklahoma's energy and aerospace sectors. Additionally, we have worked hard to improve education and to deliver a high-quality workforce through programs like Complete College America.

Now we can continue our momentum by being attentive to the specific concerns of our business community that emerged from this research. When we asked for employer input, thousands of Oklahoma business owners and executives – 5,376 to be exact – responded to the survey at FallinForBusiness.com. I want to thank each business leader for taking time to share insights and concerns. The feedback explores a wide range of issues from business optimism and overall business climate, to specifics about business expansion, infrastructure, workforce, education and health care.

We learned our businesses are much more optimistic about the future for business in Oklahoma than executives nationwide. They told us they think we are doing a good job with our colleges, universities and career tech systems and our access to business resources. They were very frank about the need to continue to implement workers' compensation reforms passed into law last year, as well as the importance of matching available jobs with applicants and providing access to business capital.

This report sets out the survey findings. I hope you will find the results useful as you develop your businesses and your communities. At the state level, this research will be an invaluable guide as we improve processes and advance policies to make Oklahoma the very best place to live, to work and to do business.

Best regards,

Gov. Mary Fallin

Thank You

FallinForBusiness.com Survey Partners

Oklahoma Department of Commerce

Oklahoma Business Roundtable

Promotional Partners

- ACOG (Association of Central Oklahoma Governments)
- AGC Oklahoma (Association of General Contractors)
- American Indian Chamber of Commerce
- Ardmore Development Authority
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- Oklahoma Association of Realtors™
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- Oklahoma Center for Nonprofits
- Oklahoma Dental Association
- Oklahoma Employment Security Commission
- Oklahoma Manufacturing Alliance
- Oklahoma Quality Foundation
- Oklahoma Small Business Development Center
- Oklahoma Society of CPAs
- Oklahoma State Regents for Higher Education
- OMRF (Oklahoma Medical Research Foundation)
- Ponca City Development Authority
- Red River Technology Center
- Rogers State University Innovation Center
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- Stokely Outdoor Advertising
- The Chickasaw Nation
- The Citizen Potawatomi Nation
- The State Chamber of Oklahoma
- The State Charitable Campaign (United Way)
- Tulsa Metro Chamber
- Tyler Outdoor Advertising
- Western Farmers Electric Cooperative

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- Prodigy Public Relations Group
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To Our Partners

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Background

The inauguration of Gov. Mary Fallin launched a new business-focused spirit in Oklahoma. As the governor undertook a robust agenda of legislative reforms to strengthen the state's economy and create jobs, the Department of Commerce planned a statewide public/private initiative to guide economic development planning on a never-before-seen scale.

More than 45 partner organizations added stature to the project by showing private and public resources working together for business.

The result was FallinForBusiness.com, an in-depth online survey focused on challenges and issues within Oklahoma's current business climate. The survey explored the issues existing businesses think are most important to creating jobs and strengthening the state's economy.

The governor's goal: for as many as possible of Oklahoma's more than 100,000 businesses to participate.

As a group, the executive officers of Oklahoma's existing businesses have a significant influence on the economic and social well-being of the state. These executives of small, medium and large businesses have insights based on front-line experiences. Their companies represent a major source of investment and resource for job creation, as studies have indicated that more than 85 percent of jobs created in Oklahoma are from businesses located in the state. Especially in times of economic downturn, state policymakers and other members of the economic development community can benefit by understanding the attitudes, opinions, perspectives and plans of these executives.

The survey was designed to help determine the immediate needs, strengths and areas for change across the Oklahoma business community, and in turn help shape future actions, policies and programs that will help businesses thrive and support a growing and vital workforce in Oklahoma.

The primary objectives were to:

- ***Understand the specific needs of businesses***
- ***Identify what support can be provided to ensure that businesses fully capitalize on opportunities***
- ***Establish and/or confirm economic development strategies and priorities***
- ***Use both quantitative and qualitative data to develop action plans that support economic development and employment growth***
- ***Establish a baseline for subsequent assessments***
- ***Establish powerful communications between the business community and state leaders***

With 5,376 Oklahoma business owners and executives participating, FallinForBusiness is the largest survey of Oklahoma employers ever conducted.

Their insights and opinions provide data for action planning and decision-making by state agencies and organizations focusing on economic development in Oklahoma.

Oklahoma has received many national accolades for business climate and quality of life, and the state continues to experience low unemployment and healthy job growth. Survey results confirm the future for business is bright. The contents of this report verify the positive aspects of Oklahoma's business climate and help prioritize the current challenges facing executives. These survey results have the potential to help create a unified approach for change, with programs and policies for the future developed from listening, learning and acting on the voices of business leaders from all 77 counties.





Survey Implementation

Survey Development

A unified group of partners participated in the development of the survey questions. The Oklahoma Department of Commerce worked with Reliant, a Tulsa-based independent research company, to develop a first draft of the questions. That draft was sent to the Oklahoma Business Roundtable, economic development organizations and various state agencies for input. Based on this partner feedback, the survey was modified and new questions were added to create the in-depth research instrument that was

launched at www.FallinForBusiness.com. The final survey questioned executives about business challenges and issues; Oklahoma's business climate; workforce; suppliers, customers and markets; facilities; business demographics and assistance needed.

FallinForBusiness.com

Project developers recognized the need for a robust online portal to guide business owners and executives to the survey, provide information, recognize

partners and support efforts to promote the survey to potential participants. The domain name, FallinForBusiness.com, was selected to show the governor's support for the initiative and the project's business focus. The Web address became the foundation for the survey's unique branding, Web portal and marketing materials. During the seven-week survey administration period, the website received 11,196 unique visitors.





Survey Partners

Partners were vital to the survey's success. Strategic implementation partners were those organizations with a vested interest in the project's success and resources to help promote the survey. Governor Fallin and the Department of Commerce hosted a partner kickoff event to secure support and roll out the partner marketing tools. Approximately 75 representatives from partner organizations attended the kickoff and pledged to help promote FallinForBusiness.com to their member organizations and business networks.

Partner initiatives critical to the success of survey implementation included:

• **Granting financial or in-kind support in the form of consultant funding, facility use, media and marketing assistance**

• **Promoting the survey project and soliciting participation by:**

- ✓ Sending survey email invitations to business owners, member organizations or executives in their networks.
- ✓ Promoting the survey project on their organization's website or print materials and linking to the survey at FallinForBusiness.com.
- ✓ Creating local promotional events and providing incentives to encourage business participation.
- ✓ Participating in short videos to promote the survey and encourage business participation.
- ✓ Personally inviting executives to participate.
- ✓ Working with local radio and TV stations to run the PSA about the survey project.
- ✓ Working with local news media to generate stories and editorials about the survey project.



The Oklahoma Business Roundtable worked closely with the governor and Department of Commerce to develop the survey of Oklahoma business owners and executives, stepping up early to fund development of the questionnaire, data collection and final reporting.

The project attracted a diverse group of partners. While many of the state's strongest supporters of economic development signed on early, regional partnerships, tribes and other state agencies were powerful advocates for the project's success. Clearly, their efforts had a huge impact on attracting participation from business owners and executives from all areas of the state. In some cases, partner organizations embraced the project as an initiative they knew their members needed but did not have the resources to implement. The business climate survey proved a robust tool in helping them take their organizations to the next level.

Partners will continue to play a critical role in the development and implementation of action plans as an outcome of survey results.

FallinForBusiness.com Survey Partners

Oklahoma Department of Commerce
Oklahoma Business Roundtable

Promotional Partners

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Production Partners

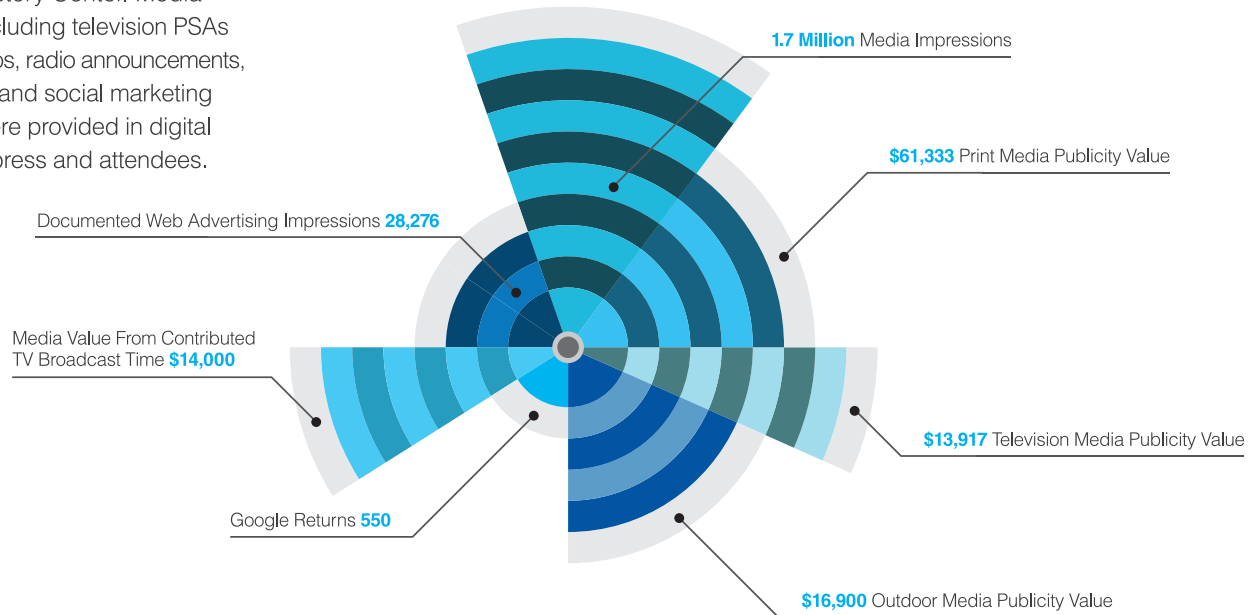
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Media Outreach

Governor Fallin and Secretary of Commerce and Tourism Dave Lopez announced the kickoff of the online survey at a press conference at the Oklahoma History Center. Media materials – including television PSAs and Web videos, radio announcements, print, outdoor and social marketing materials – were provided in digital format to the press and attendees.

Media coverage from the survey implementation effort had an estimated value of \$106,150. Highlights from the media campaign included:



The ultimate outcome of these unified media efforts resulted in unprecedented participation for an initiative of this type.

Broadcast Public Service Announcements





Television Coverage



Outdoor

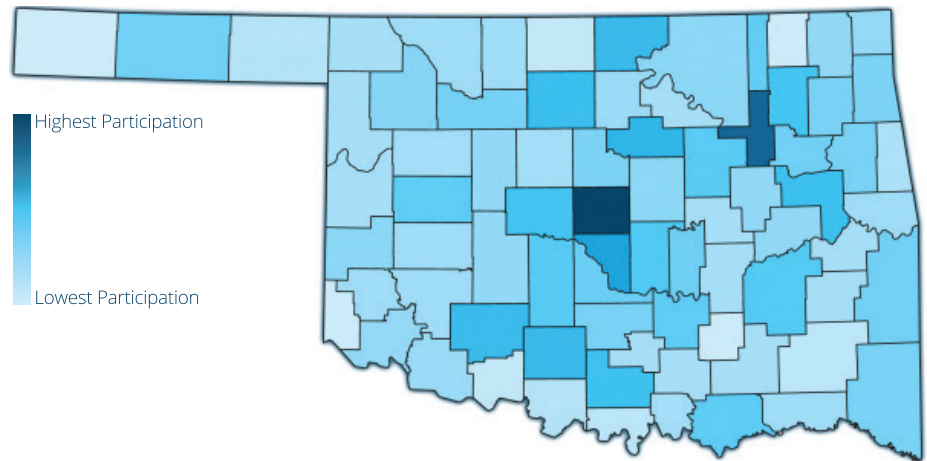




Survey Participation

Participants by County

Businesses from all of Oklahoma's 77 counties participated in the survey. Oklahoma and Tulsa counties had the highest number of participants at 30.04 and 16.28 percent of total respondents, respectively. The map to the right illustrates a summary overview of participation by county.



Percentage of participants from each county:

• Adair – 0.22%	• Grant – 0.11%	• Muskogee – 1.95%
• Alfalfa – 0.32%	• Greer – 0.32%	• Okfuskee – 0.25%
• Atoka – 0.25%	• Harmon – 0.07%	• Oklahoma – 30.04%
• Beaver – 0.18%	• Harper – 0.25%	• Okmulgee – 0.43%
• Beckham – 0.47%	• Haskell – 0.25%	• Osage – 0.47%
• Blaine – 0.43%	• Hughes – 0.25%	• Ottawa – 0.4%
• Bryan – 1.04%	• Jackson – 0.4%	• Pawnee – 0.25%
• Caddo – 0.43%	• Jefferson – 0.18%	• Payne – 2.85%
• Canadian – 1.69%	• Johnston – 0.25%	• Pittsburg – 1.19%
• Carter – 1.91%	• Kay – 2.34%	• Pontotoc – 1.01%
• Cherokee – 0.65%	• Kingfisher – 0.29%	• Pottawatomie – 1.26%
• Choctaw – 0.32%	• Kiowa – 0.32%	• Pushmataha – 0.14%
• Cimarron – 0.07%	• Latimer – 0.25%	• Roger Mills – 0.25%
• Cleveland – 4.76%	• LeFlore – 0.72%	• Rogers – 1.55%
• Coal – 0.07%	• Lincoln – 0.47%	• Seminole – 0.79%
• Comanche – 2.31%	• Logan – 0.61%	• Sequoyah – 0.32%
• Cotton – 0.11%	• Love – 0.14%	• Stephens – 2.34%
• Craig – 0.43%	• Major – 0.68%	• Texas – 0.72%
• Creek – 1.12%	• Marshall – 0.29%	• Tillman – 0.36%
• Custer – 1.01%	• Mayes – 0.65%	• Tulsa – 16.28%
• Delaware – 0.61%	• McClain – 0.83%	• Wagoner – 0.76%
• Dewey – 0.29%	• McCurtain – 0.65%	• Washington – 0.94%
• Ellis – 0.25%	• McIntosh – 0.43%	• Washita – 0.32%
• Garfield – 2.05%	• Murray – 0.25%	• Woods – 0.32%
• Garvin – 0.65%	• Noble – 0.36%	• Woodward – 0.54%
• Grady – 1.15%	• Nowata – 0.07%	

5,376
businesses participated

Participating
companies represent
250,000
jobs
more than 20 percent of
Oklahoma's total
workforce

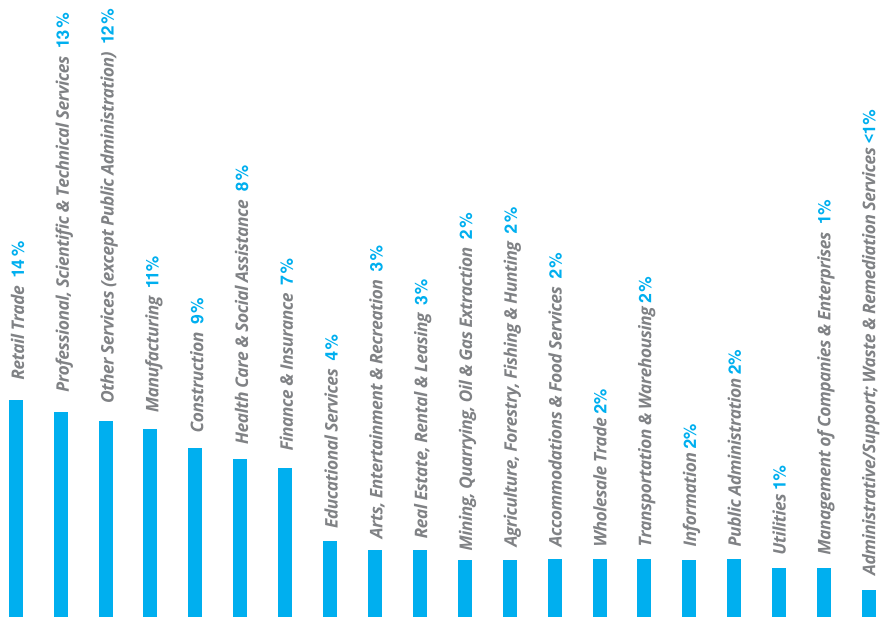


Participants by Industry

A representative group of businesses from all of the major industries in Oklahoma participated in the survey. The chart to the right shows a breakdown of participation by industry.

Participants by Industry

Ranked From Highest To Lowest



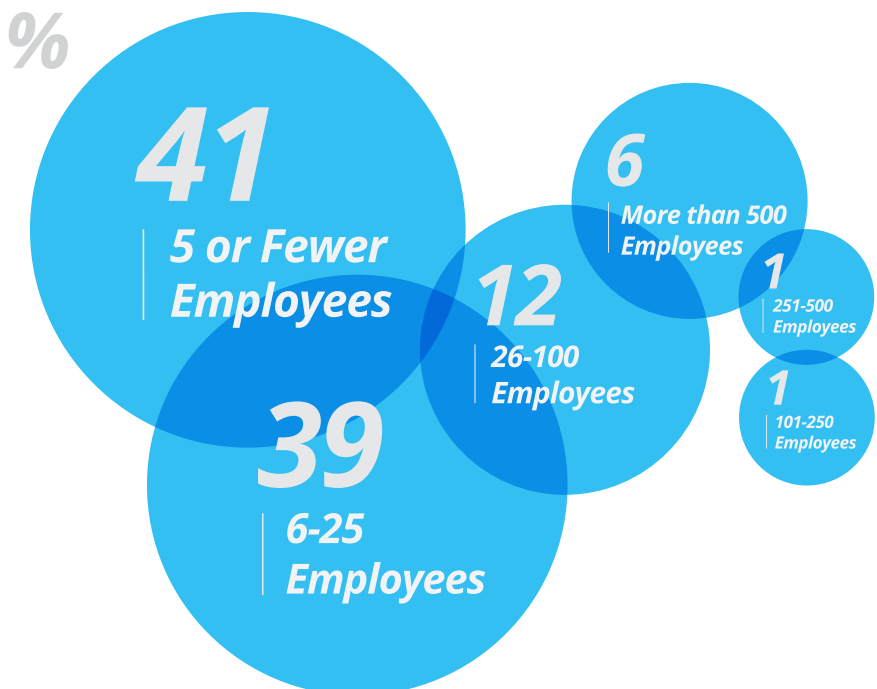
Participants by Company Size

Businesses of all sizes responded to the survey. While 79.59 percent of the participants were businesses with 25 or fewer employees, the number of businesses in each size category corresponded closely to the statewide breakdown of all companies by the number of employees. The chart to the right illustrates participation by company size.

Confidence in the Survey Results

Robust participation in the survey – 5,376 businesses participated, representing more than 250,000 jobs or more than 20 percent of Oklahoma's total workforce – drives a high degree of confidence in the survey results. Using a 95 percent confidence interval, the margin of error in the survey questions presented in this report ranges from 0.9 percent to 1.6 percent.

Participants by Company Size



Executive Summary



Oklahoma's Key Findings



This business climate survey was about helping businesses in the state. We want to create the very best customer-friendly business environment possible. To make that happen, it was important that state leaders hear from our businesses about the issues and how we can help them.

- Mary Fallin
Governor of Oklahoma



FallinForBusiness queried Oklahoma business owners and executives about a broad spectrum of business issues.

Business Optimism

Many national experts continue to predict that economic uncertainty lies ahead. Although Oklahoma business recovery has been slow, survey results indicate that business leaders are becoming increasingly optimistic, with a majority of the businesses surveyed reporting plans for expansion and to increase hiring over the next three years. Of the business leaders surveyed, 78 percent say they are optimistic about the future of business in Oklahoma. Similarly, 78 percent of business leaders are confident their businesses will grow in Oklahoma.

Survey results indicate Oklahoma may be ahead of national projections in the critical areas of job growth and business expansion. On a national level, only 14 percent of employers plan to hire in Q1 of 2012 (Manpower Survey, "Wall Street Journal"), while 28 percent plan to hire in the first six months of 2012 (Grant Thornton, Business Optimism Index). Oklahoma businesses appear to be slightly above these trends with 37 percent of businesses planning to hire

in 2012 and more than 69 percent of businesses planning to hire over the next three years.

Businesses surveyed also plan capital investments for business expansion. More than half, 51 percent, of participating businesses plan to upgrade or expand their existing locations over the next three years, while 28 percent will add new locations.

Top 5 Business Climate Strengths

Oklahoma has many strengths to help retain existing businesses and attract new companies. According to CNBC, Oklahoma comes in at #1 for Cost of Living and #6 for Cost of Doing Business. "Business Facilities" ranks Oklahoma #4 in terms of Quality of Life. Oklahoma business leaders were asked to rank various aspects of the state's business climate, and the results align with many of these national rankings. According to the business executives surveyed, the top five strengths of Oklahoma's business climate are:

- 1. Quality of 2/4 year college/university systems**
- 2. Access to supplies required to conduct business**
- 3. CareerTech system preparation for the workplace**
- 4. Affordable housing options for employees**
- 5. Recreational opportunities**



Oklahoma's strength is its people. We are a great state with the ability and desire to share a great place to live and work with others from all walks of life.
-Survey Respondent



Opportunities for Improvement

A key objective in conducting the FallinForBusiness survey was to collect factual information from business leaders to help prioritize business challenges and to determine the most important opportunities for improvement.

Business leaders surveyed provide the lowest ratings for the following aspects of Oklahoma's business climate:

1. Workers' compensation costs

2. Access to funding/capital

3. Business incentives

4. Business assistance programs

5. Business tax structure

Oklahoma's national standings are correspondingly lower in these areas. CNBC ranks Oklahoma 24th for Business Friendliness (Regulation & Litigation) and 24th for Access to Capital. According to the Tax Foundation, Oklahoma ranks 29th for Business Tax Climate.

Creating a more business friendly tax structure and improving Oklahoma's regulatory environment continue to be a concern. Likewise, continuing to improve business incentive and assistance programs, as well as generating additional funding sources for state businesses, remain issues for business leaders.

Workforce Requirements

It is evident that Oklahoma will continue to see a demand for workers and that the competition for skilled workers is likely to increase. Almost one quarter, 24 percent, of Oklahoma business leaders cite an increased need for employees with a bachelor's degree. However, 43 percent say their companies found it difficult to recruit and hire these knowledge workers. Of the business leaders surveyed, 61 percent report the availability of skilled labor in Oklahoma as fair or poor.

According to the businesses surveyed, the need for skilled workers is on the rise, and the quality and educational attainment of Oklahoma's workforce continues to be a priority.

Business Expansion

Oklahoma business leaders report expansion plans that are far ahead of national trends. While U.S. commercial expansion for 2012 is projected at 3.3 percent (U.S. Census Bureau, Department of Commerce, Reed Construction Data), more than 60 percent of Oklahoma businesses report they will add new products or services; 51 percent have plans to upgrade or expand existing locations, and 28 percent will be adding new business locations. A majority of business leaders, 78 percent, report no plans to downsize.

“““ My biggest fear is losing skills as people retire over the next 10 years.
-Survey Respondent



Infrastructure Access

While Oklahoma only ranks 35th for Infrastructure and Transportation (CNBC, 2011), on average, 84 percent of Oklahoma business owners and executives report having sufficient access to the resources and infrastructure required to conduct business. Public transportation systems are the one exception to these generally favorable ratings, with only 43 percent of business leaders rating public transportation as sufficient.

Government Services

Oklahoma offers a broad range of financing and incentive options for businesses, but only 20 percent of business owners and executives indicate their businesses have utilized these programs.

Business owners and executives also provided feedback on the quality of state government services to support businesses. Less than half the businesses surveyed believe state agencies treat businesses as valued

customers and that future legislation will have a valuable impact on their businesses. Half of the respondents feel the state regulatory environment is business friendly.

Top Executive Challenges

Oklahoma business leaders report the following as their top challenges:

1. **Customer loyalty and retention**
2. **Increasing sales**
3. **Managing corporate reputation**
4. **Managing in an unpredictable economic climate**
5. **Adapting to change**
6. **Retaining talent**
7. **Maintaining steady growth**
8. **Keeping pace with competition**
9. **Employee health**
10. **Employee engagement and satisfaction**

**“““ The state government should enable business to carry out commerce without undue burden. This means providing and maintaining infrastructure, reasonable tort law, regulations and tax code.
-Survey Respondent**

Business Optimism & Business Climate

Oklahoma Business Optimism 18

Business Climate 21



Oklahoma Business Optimism

Favorable Percentages

% Strongly Agree & Agree



78% *I am optimistic about the future of business in Oklahoma*



78% *I am confident my business will grow in Oklahoma*



65% *Oklahoma provides a good climate for entrepreneurs*

For Oklahoma businesses to thrive and grow, the state must have a solid, diverse economy with access to the resources necessary to support a wide variety of businesses.

Oklahoma's rankings from third-party groups such as CNBC consider a number of different factors in determining economic health. To measure each state's fiscal health, CNBC looked at basic indicators of economic health and growth and, for the first time in 2011, included projected budget gaps (or surpluses) for the coming fiscal year. CNBC's findings also reflect the number of major corporations located in the state. Based on these economic factors, CNBC ranks Oklahoma #4 for its overall economy.

FallinForBusiness measured business optimism by asking Oklahoma executives if they believe their

businesses will grow and explored their optimism about the future of business in Oklahoma. The business leaders surveyed report a high level of optimism. Their responses help confirm the national ranking of Oklahoma's overall economy by CNBC. Of the Oklahoma business leaders responding, 78 percent said they are optimistic about the future for business in Oklahoma. Similarly, 78 percent of Oklahoma business leaders are confident their business will grow in Oklahoma.

These findings suggest Oklahoma business leaders are more optimistic about the future for business growth in Oklahoma than business leaders nationally. According to the national Business Optimism Index prepared by Grant Thornton, only 60 percent of U.S. business leaders report they are optimistic about the growth of their business in the first six months of 2012.



Entrepreneurial Optimism

A strong business climate also provides the resources and environment for entrepreneurial growth. The Kaufmann Foundation ranks Oklahoma #1 in its Index of Entrepreneurial Activity. Of the business leaders surveyed, 65 percent view Oklahoma as providing a positive climate for entrepreneurs.

A strong business climate also provides the resources, including suppliers and

the environment to support entrepreneurial growth. Having an adequate number of suppliers supports this optimism, since 70 percent of the business executives say they have sufficient suppliers to meet their needs.

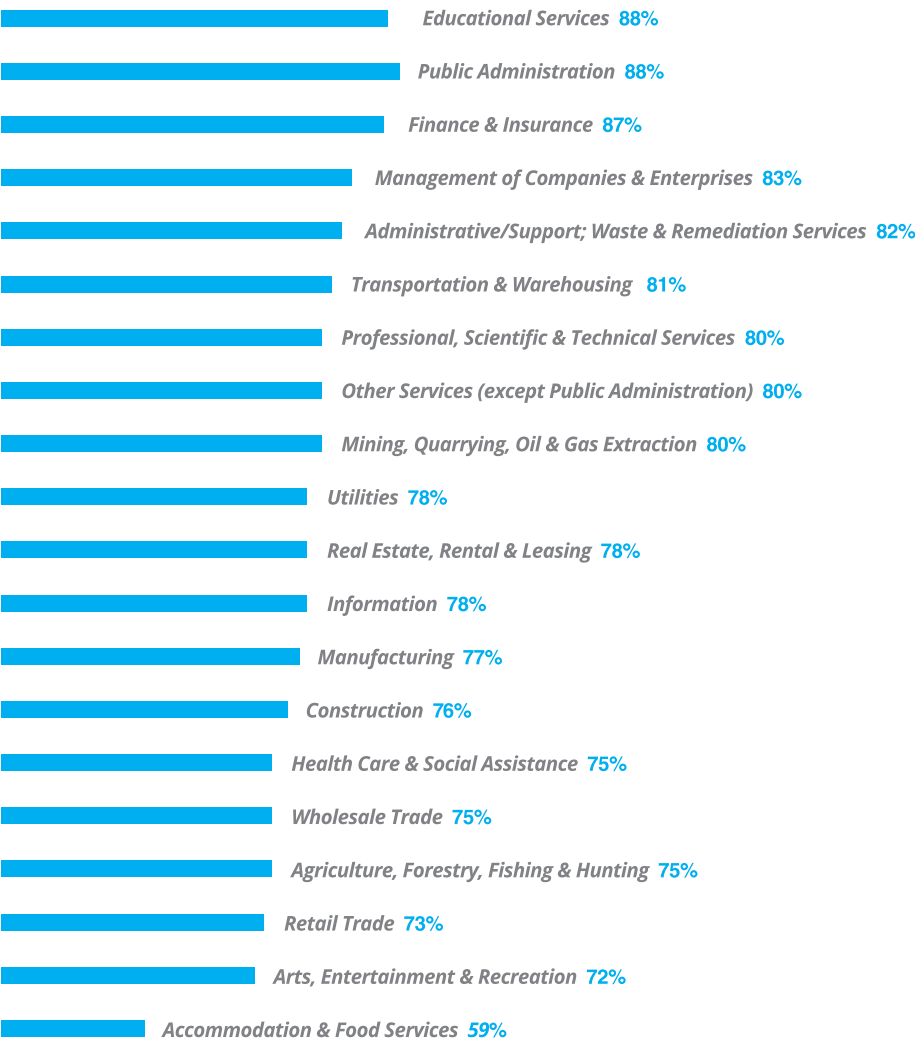
As one leader states, “We have chosen this as our home; we have a great thing going in Oklahoma.”

Business Optimism by Industry

Business optimism appears to be consistently high across Oklahoma industries with more than 70 percent of business executives in all but one industry reporting they are optimistic about the future of business in Oklahoma. The only industry with significantly lower business optimism is Accommodation and Food Services, which ranked business optimism at 59 percent.

Business Optimism by Industry

“I am optimistic for the future of business in Oklahoma.”





Business Optimism by Company Size

Optimism by company size shows larger businesses, those with more than 500 employees, are more optimistic than smaller businesses. An important factor in considering optimism by company size is that 80 percent of survey participants are from companies with 25 or fewer employees. Survey responses

clearly indicate the importance of small businesses – and the resources, programs and incentives to support them – to sustained economic growth in Oklahoma.

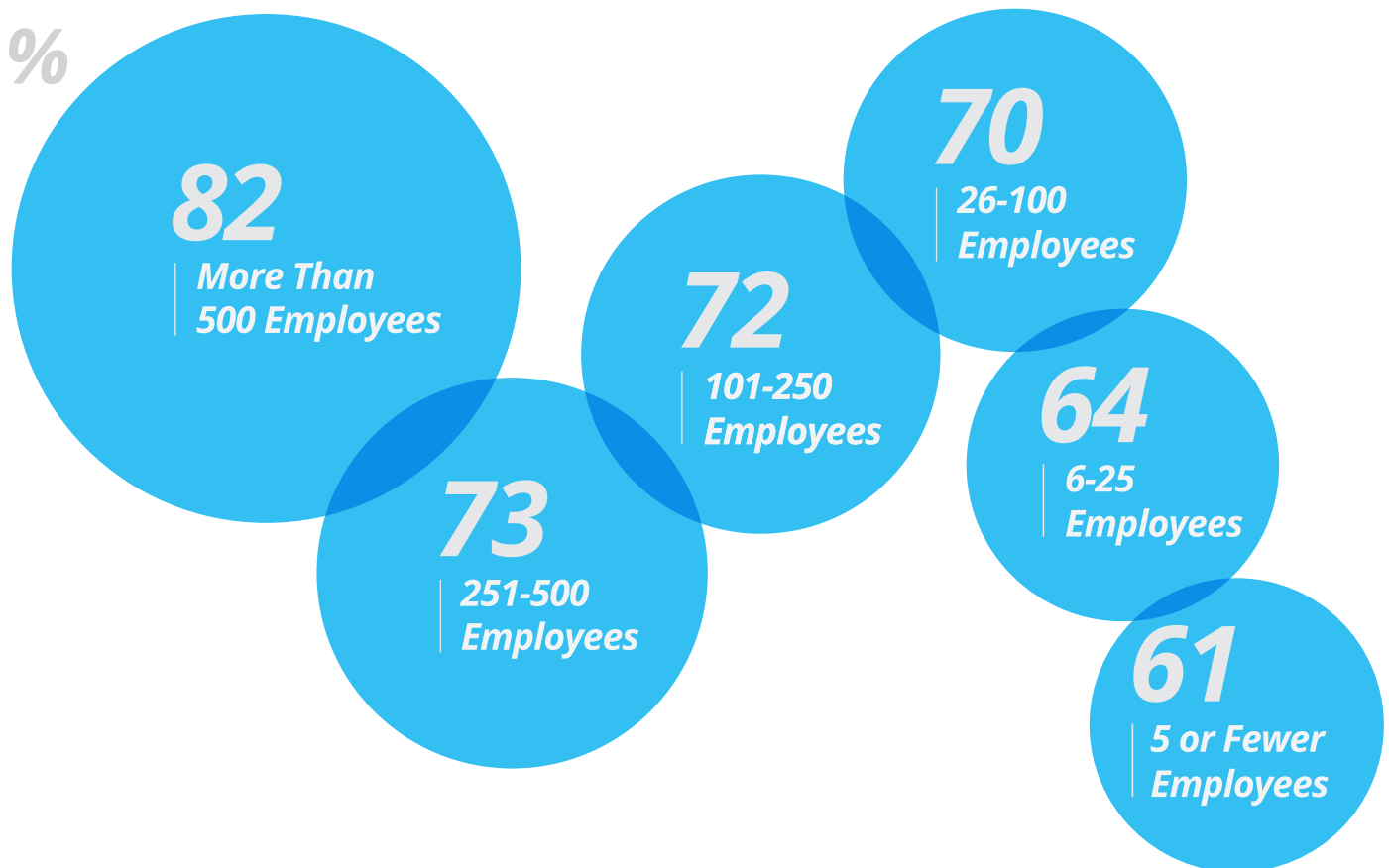
Business Optimism by County

More than 46 percent of survey participants were from companies in

Tulsa and Oklahoma counties, making an index of business optimism in these two critical counties extremely important. When comparing these two counties, 70 percent of business leaders in Oklahoma County were optimistic about the future of business in Oklahoma, compared to only 60 percent of business leaders in Tulsa County.

Business Optimism by Company Size

"I am optimistic for the future of business in Oklahoma."





Business Climate



We've got a leadership that is truly interested in making Oklahoma an even better place to do business.

- Bryan Gonterman
President, AT&T – Oklahoma



Perceptions of Oklahoma's Business Climate

FallinForBusiness measured business climate by asking Oklahoma business owners and executives to rate a broad spectrum of business climate factors critical for business success. Survey results provide useful information about both strengths and areas for improvement in Oklahoma. The highest ranking business climate factors by Oklahoma business leaders are:

- 1. Quality of 2/4 year college/university systems**
- 2. Access to supplies required to conduct business**
- 3. CareerTech system preparation for the workplace**
- 4. Affordable housing options for employees**
- 5. Recreational opportunities**

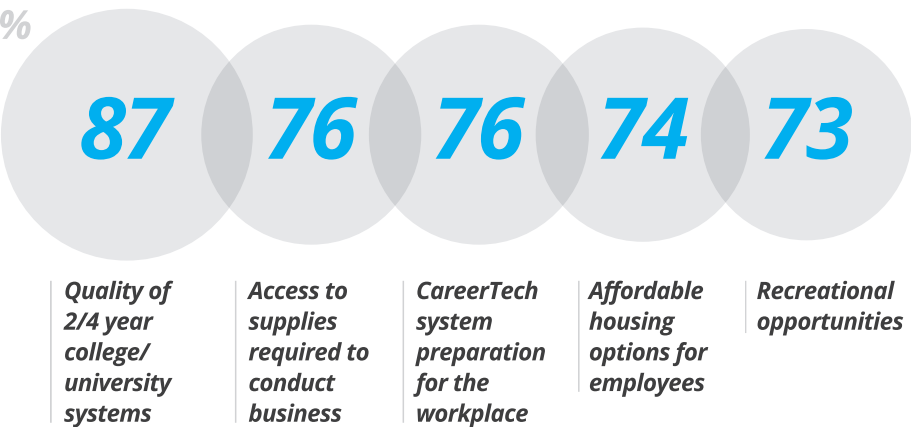
One business leader said, "We have a great thing going in Oklahoma, and the state's leadership is working to enhance it further."

The perceptions of Oklahoma business leaders align with many of Oklahoma's 2011 national rankings as a great place to do business. For example, CNBC ranks Oklahoma #1 for Cost of Living and #6 for Cost of Doing Business. "Business Facilities" ranks Oklahoma #4 for Quality of Life.

Cost is a major consideration when a company chooses to invest or expand in a state, and Oklahoma's lower overall cost of doing business and low cost of living are a positive influence on the state's ability to attract and retain businesses. Among the factors CNBC includes in its positive ranking for Oklahoma are tax burdens, including individual income and property taxes; business taxes, particularly as they apply to new investments; utility costs, which can be a major expense; wages and rental costs for office and industrial space.

Highest Ranked Business Climate Factors

% Rankings of Excellent + Good





Business Climate Weaknesses

A primary goal of the FallinForBusiness survey was to identify and prioritize opportunities for improvement in Oklahoma. According to Oklahoma business leaders, the five lowest rated business climate factors are:

1. **Workers' compensation costs**
2. **Access to sufficient public funding sources**
3. **Business incentives**
4. **Business assistance programs**
5. **Business tax structure**

Despite Oklahoma's positive ranking, #6 by CNBC for Cost of Doing Business, Oklahoma business leaders identified factors such as workers' compensation costs and the state's business tax structure as opportunities for improvement. These findings align with other national rankings that identify

opportunities for improvement in Oklahoma. For example, CNBC ranks Oklahoma 24th for Business Friendliness and Regulation, which grades the states on the perceived "friendliness" of their legal and regulatory frameworks to business, which would likely include workers' compensation.

Access to sufficient public funding and private capital rank as the second and seventh lowest-rated climate factors by Oklahoma business leaders. These survey findings also align with Oklahoma's national rankings. For instance, CNBC ranks Oklahoma 24th for Access to Capital, which examines the availability of venture capital and funding sources for state businesses.

Finally, a business friendly tax structure to help attract and retain businesses is an important factor for Oklahoma's business climate. Oklahoma business leaders rank the state's business tax structure as the fifth lowest rated climate factor in Oklahoma. This aligns with a national ranking provided by the Tax Foundation's State Business Tax Climate Index, which ranks Oklahoma 29th nationally.

As one business executive said, "A lower personal income tax and sales tax would be a great business incentive, as well as improved workers' compensation and health insurance for small businesses."

Below is a complete listing of business climate factors ranked from highest to lowest by Oklahoma business leaders.

Aspects of the Business Climate in Oklahoma

% Excellent or Good

Lowest Ranked Business Climate Factors

% Rankings of Poor + Fair

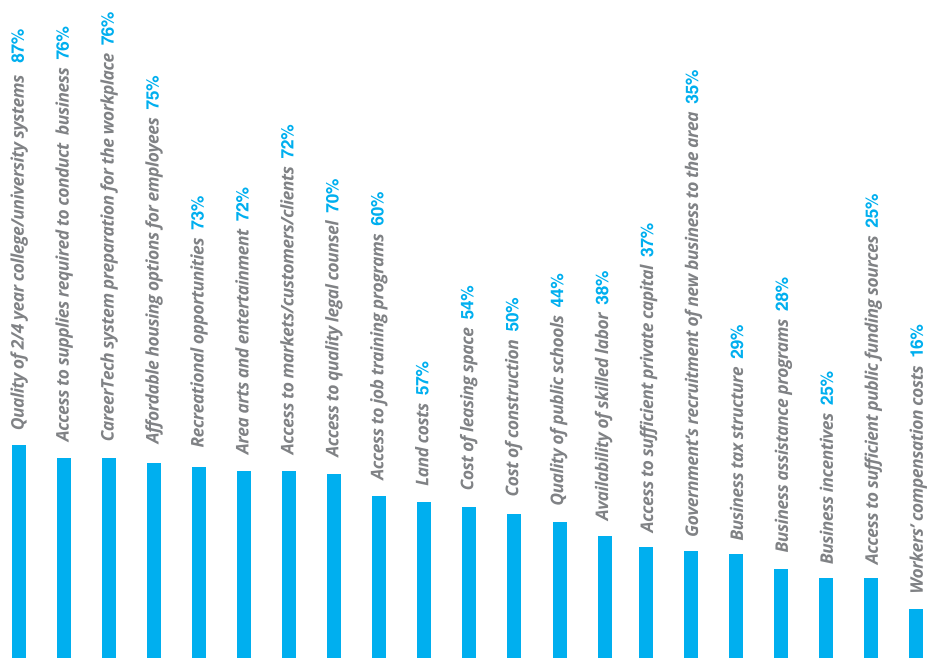
84% **Workers' compensation costs**

76% **Access to sufficient public funding sources**

75% **Business incentives**

72% **Business assistance programs**

72% **Business tax structure**



Employment Trends, Workforce & Education

<u>Employment Trends</u>	24
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<u>Education</u>	28



Employment Trends

Anticipated Employment Growth

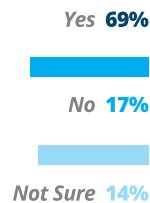
According to the Bureau of Labor Statistics, Local Area Unemployment Statistics in December 2011 show that Oklahoma has the 10th lowest unemployment among states at 6.1 percent. Oklahoma's relatively low unemployment rate and growing workforce are both indicators that business is growing in the state. MSN published a similar finding in February 2012, which ranked Oklahoma 10th on its list of Best and Worst States for Job Seekers. With its relatively low unemployment rate, Oklahoma businesses appear to be expanding, and this makes Oklahoma more attractive to job seekers from other states.

When asked about anticipated employment growth by the FallinForBusiness survey, 37 percent of Oklahoma business leaders expect their full-time employee base will be higher a year from now. Projecting out three years, 69 percent of Oklahoma business leaders indicate they plan to hire new employees.

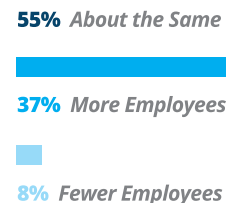
Oklahoma business leaders appear to be more optimistic than the national average. In comparison, according to the Grant Thornton Business Optimism Index, only 28 percent of business leaders nationally anticipate an increase in their employee base over the first six months of 2012. Similarly, the results of a Manpower survey published in the "Wall Street Journal" reported only 14 percent of business leaders nationally anticipate their employee base to grow in the first quarter of 2012.

The average number of anticipated hires across all employers is 21 for 2012, while the average number of expected hires varies widely by employer size. Businesses employing more than 500 anticipate hiring up to 219 employees on average, while businesses with 251-500 employees anticipate hiring an average of 43 employees. The trend for hires ranges widely from larger to smaller business, but all see hiring on the rise for 2012.

Will your business be hiring new employees in the next 3 years?

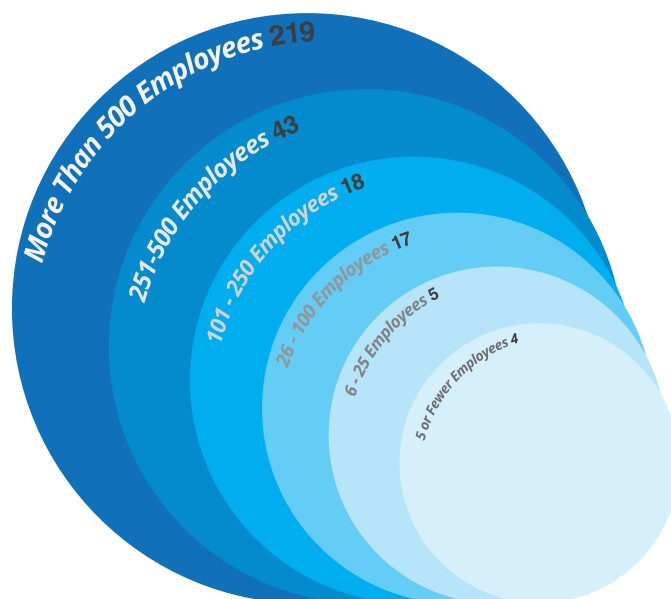


What do you anticipate your full-time employment to be a year from now?



"Hiring for my startup business is critical and will help build new business," and "My biggest fear is losing skills as people retire over the next 10 years." These and similar comments from business owners and executives surveyed demonstrate the importance of having a skilled workforce and how necessary attracting talent will be to Oklahoma business leaders. Hiring across all industries and size of business indicate that increasing employment in their respective business is top of mind for Oklahoma business leaders.

Average Anticipated New Hires in 2012



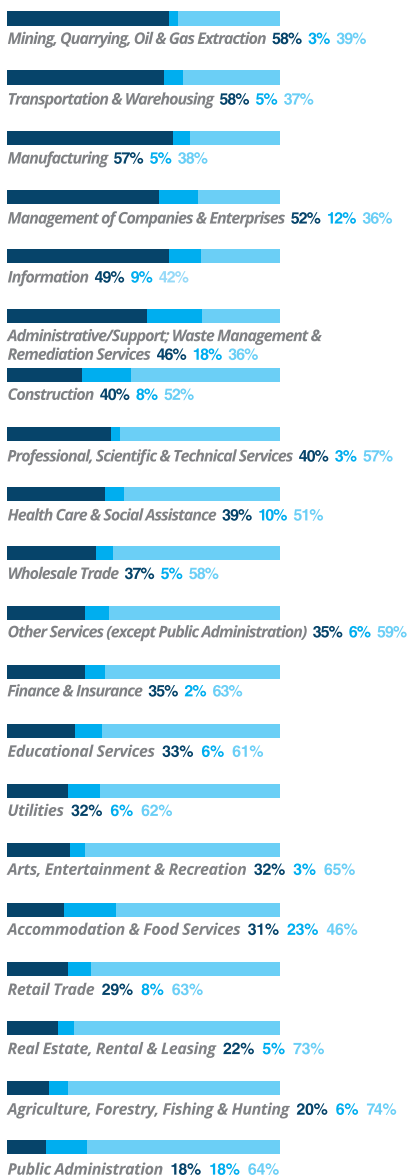


Employment Growth by Industry

Considering Oklahoma's history as a leading oil and gas producer, it is not surprising to see anticipated employment growth highest in the oil and gas industry. Of Oklahoma oil and gas executives surveyed, 59 percent expect full-time

What do you anticipate your full-time employment to be a year from now?

More Fewer About the Same



employment to be higher a year from now. Strong employment growth also is anticipated in Transportation and Warehousing, Manufacturing and Management of Companies and Enterprises, with more than 50 percent of companies in these industries projecting higher employment growth for 2012. The one Oklahoma industry segment that appears to be lagging behind others is Accommodations and Food Service, with 23 percent of these businesses anticipating employment growth to be lower in 2012. The chart to the left shows anticipated employment growth over the next year across all Oklahoma industries.

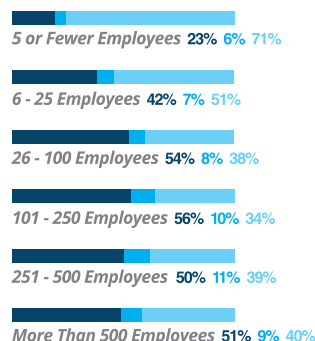
Employment Growth by Company Size

Anticipated employment growth appears to be stronger for larger companies compared to smaller companies. Those businesses that employ more than 100 employees anticipate the greatest growth a year from now. Anticipated employment growth is lowest for businesses with fewer than five employees, with only 23 percent of these businesses reporting projected employment to be higher in 2012.

“There is great opportunity in Oklahoma for the manufacturing industry. However, focus on college placement creates a disincentive in the public schools for placement in alternative career paths.”
-Survey Respondent

What do you anticipate your full-time employee base to be a year from now?

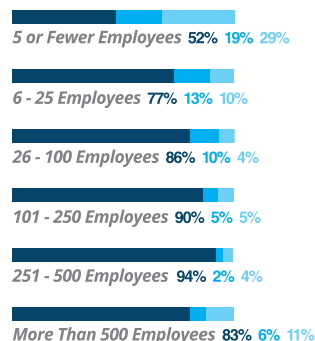
More Employees Fewer Employees About the Same



When asked if their businesses were considering hiring over the next three years, leaders replied as follows:

In the next 3 years, is your business considering hiring new employees?

Yes No Not Sure





Oklahoma Workforce Trends

According to a Manpower Group survey, more than half (52 percent) of U.S. employers in 2011 said they were having trouble filling job openings because they couldn't find qualified workers. Although Oklahoma business leaders are optimistic about the future for their business in Oklahoma, and many anticipate hiring workers in 2012 and over the next three years, finding skilled workers in our state might prove to be a challenge. The FallinForBusiness survey asked Oklahoma business leaders about their current and future workforce needs and challenges. They report challenges in finding skilled workers in our state; 61 percent rated the availability of skilled labor in Oklahoma as "fair" or "poor." The top five industries with the most difficulty finding these workers include:

1. Accommodation and Food Services

2. Construction

3. Agriculture, Forestry, Fishing and Hunting

4. Manufacturing

5. Transportation and Warehousing

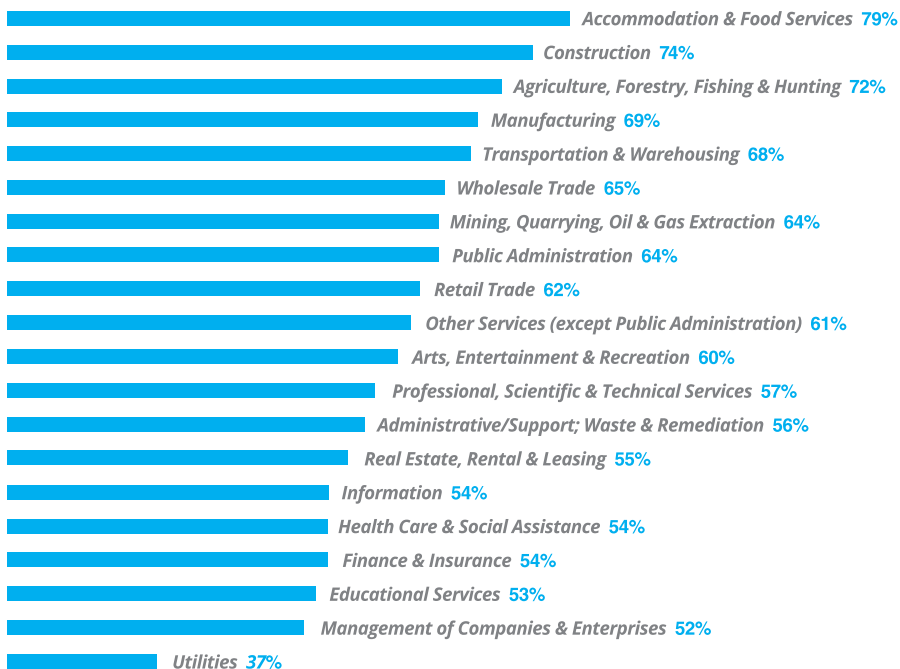
According to CNBC, Oklahoma ranks 22nd for workforce in comparison to other states. CNBC rates states based on the education level of their workforce, as well as the numbers of available workers. CNBC also assesses the relative success of each state's education and worker training programs in placing employees in jobs.

“““ I have to hire private contractors from big cities. I would love to use local, but the talent isn't here.
-Survey Respondent

“““ It is disheartening to have to turn employees away, but you lose too much time and money trying to keep employees who are not prepared for work skill requirements.
-Survey Respondent

Availability of Skilled Labor in Oklahoma

% Rankings Poor + Fair



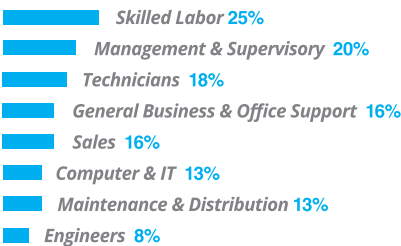


**Employment Needs –
Critical Positions in Oklahoma**

On trend with the rest of the nation, skilled labor is becoming a scarce commodity in Oklahoma. A quarter of Oklahoma business leaders report being challenged to find skilled labor for their businesses. This posed the greatest challenge for executives in the Construction, Manufacturing and Retail industries; business leaders in these industries collectively made up half of the leaders who report difficulty finding skilled labor. Close to one in five business leaders also report difficulty finding workers to fill management, supervisory and technical positions.

**Please rate how difficult it is for
you to find quality candidates
in these job areas**

% Difficult + Very Difficult



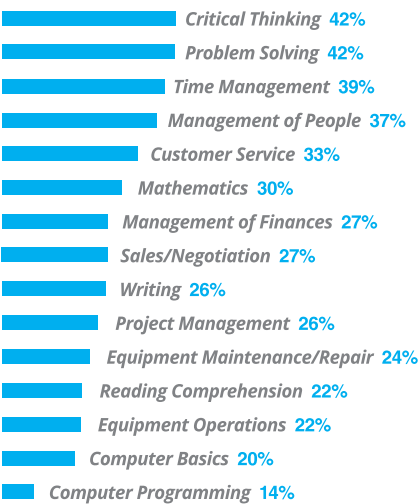
**Employment Needs –
Critical Skills for Oklahoma Workers**

The ability to think critically – to use logic and reason to consider alternative solutions, conclusions or approaches to a problem – is a basic skill that 42 percent of business leaders report is hard to find in Oklahoma’s workforce. One in four business executives surveyed also find mathematics and writing skills to be scarce among Oklahoma workers.

Resource management skills – management of time, people, finances or projects – also are reported by 25 percent of Oklahoma business leaders as skills they are challenged to find among Oklahoma workers. People skills, such as customer service, sales and negotiation, are also top concerns.

**Please rate how difficult it is for
you to find quality candidates
that have these skills**

% Difficult + Very Difficult





Education

During the next three to five years, businesses will experience an increasing need for workers with education beyond a high school diploma. Nearly half of Oklahoma's executives (47 percent) report their business will need more employees with either a vocational certificate or bachelor's degree.

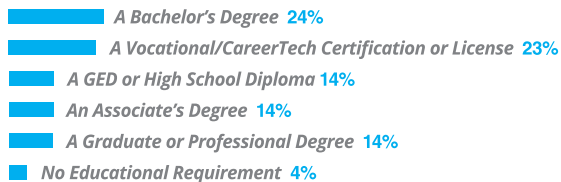
Business owners and executives responding to the FallinForBusiness survey rate Oklahoma's two/four year college/university systems and

CareerTech system high for workforce preparation programs. Both are ranked in the top five business climate factors in Oklahoma.

Although confidence about the state's education systems is high among business leaders, it is evident that companies are still challenged to find quality workers. The state must continue to invest in quality workforce education so that businesses can find skilled workers in Oklahoma rather than having to recruit from out of state.

How will your need for employees in each educational category change in the next 3-5 years?

% Increase



“Many potential applicants lack basic skills, such as interpersonal communication, writing and time management.”
-Survey Respondent

“The push to use more technology has removed the development of key skills that go along with writing and language. This should not supplant the basic skills of reading, writing and mathematics.”
-Survey Respondent

Business Expansion & Infrastructure

Business Expansion in Oklahoma	30
Infrastructure	32



Business Expansion in Oklahoma



Gov. Fallin's team knows our legislative leaders need to understand what makes our businesses work, what we need from them to help our businesses grow.

- Bill Burgess
Chairman, Vortex Inc.



FallinForBusiness asked Oklahoma business owners and executives about their future plans for adding new products and services, upgrading or expanding existing locations or adding new locations over the next three years. More than 60 percent of Oklahoma businesses report they will be adding new products or services, 51 percent have plans to upgrade or expand existing locations, and 28 percent will be adding new business locations. Oklahoma business leaders also were asked about plans to downsize operations, and 78 percent report no plans to do so.

Cost is a major consideration when a company chooses to invest or expand in a state, and Oklahoma's lower overall cost of doing business is a positive influence on the state's business community. According to CNBC, Oklahoma ranks 6th for Cost of Doing Business. Among the factors included in CNBC's ranking are tax burdens, utility costs, wages and rental costs for office and industrial space. The state's low cost of doing business is a distinct competitive advantage and supports the expansion anticipated by Oklahoma business leaders.

In the next 3 years, is your business considering any of the following?

% Yes

61% Adding new products/services

51% Upgrading or expanding

28% Adding new locations

“““ Oklahoma is a great state to live, work and play in. My concentration for 2012 is business expansion overseas.
-Survey Respondent



Business Expansion by Industry

The following chart summarizes business expansion plans, in terms of upgrading and expanding existing locations or adding new locations, across Oklahoma

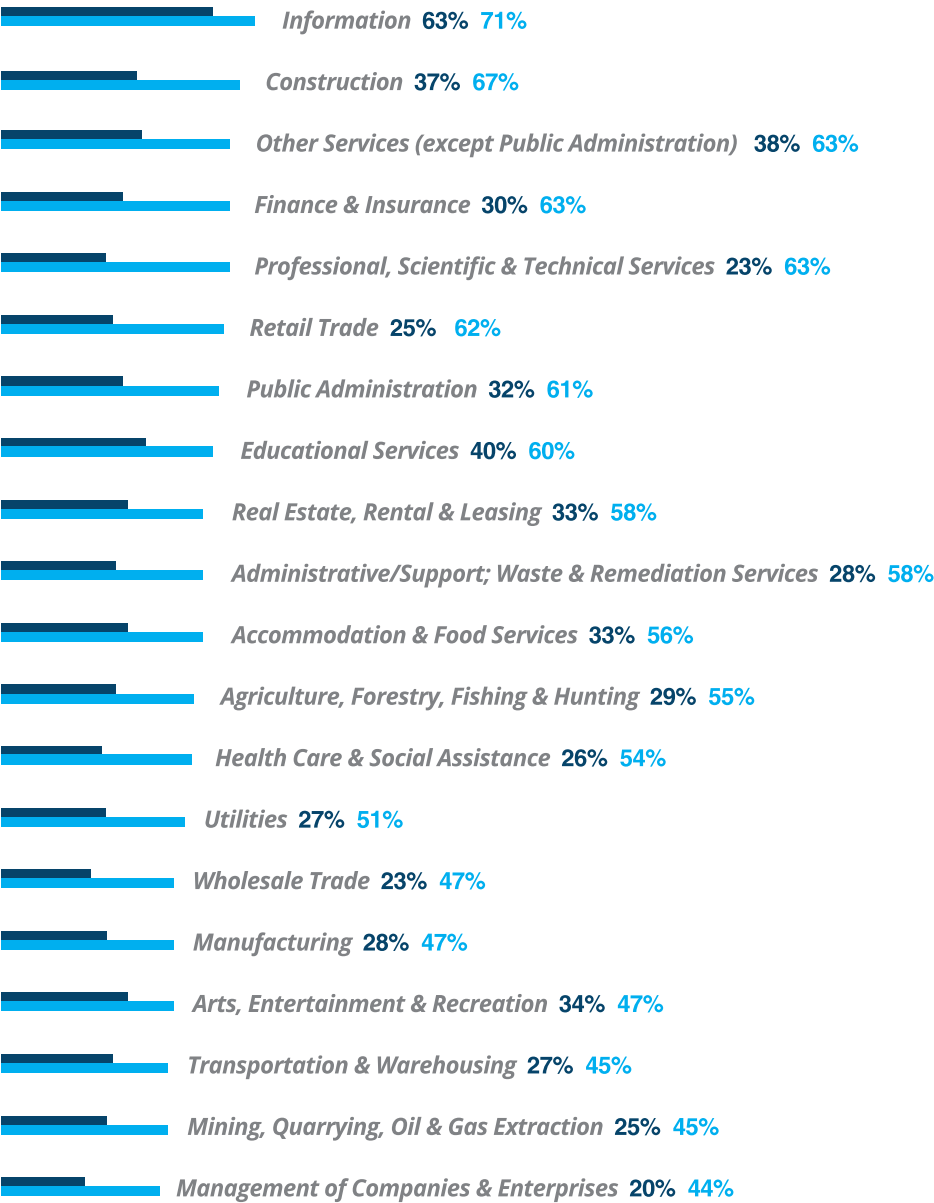
industries. The results strongly indicate a significant number of Oklahoma businesses plan to expand in the next three years.

Merger and Acquisition Activity

Merger and acquisition activity is another positive economic indicator, with 27 percent of Oklahoma business leaders anticipating mergers and acquisitions to increase in their industry. Of executives surveyed, 64 percent see mergers, acquisitions or divestitures as stable, and 9 percent see these activities decreasing.

In the next 3 years is your business considering any of the following?

Adding New Locations Upgrading/Expanding



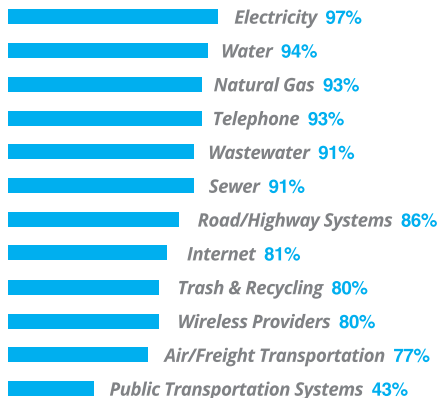


Infrastructure

Access to transportation and quality infrastructure in all its modes is critical for Oklahoma companies to get products to market and their people on the move. CNBC measures the vitality of each state's transportation system and infrastructure by examining the value of goods shipped by air, land and water. They also evaluate the availability of air travel in each state and the quality of the roads. CNBC ranks Oklahoma 35th for Infrastructure. Despite these lower rankings, Oklahoma business leaders are generally positive about Oklahoma's infrastructure.

Infrastructure & Services

% Sufficient or Extremely Sufficient



On average, 84 percent of Oklahoma business owners and executives report having sufficient access to the resources and infrastructure required to conduct business. Public transportation systems are the one exception to these generally favorable ratings, with only 43 percent of business leaders rating public transportation as sufficient.

Infrastructure Ratings by Industry

Leaders in virtually all industries deem the overall quality of Oklahoma's infrastructure to be sufficient for their business needs. Those who rate Oklahoma's infrastructure as less than sufficient are primarily in the following industries:

1. **Agriculture, Forestry, Fishing and Hunting**
2. **Accommodation and Food Services**
3. **Arts, Entertainment and Recreation**
4. **Administrative and Waste/Remediation Services**

“My view is that government has the unique role of providing infrastructure so that communities, businesses and individuals can have opportunities. We need to get the infrastructure right and let the business community create the jobs by growing.”
-Survey Respondent

Overall Infrastructure Rating by Industry

% Favorable =

% Sufficient + Extremely Sufficient

Wholesale Trade 100%

Utilities 100%

Real Estate, Rental & Leasing 88%

Public Administration 88%

Educational Services 84%

Information 83%

Transportation & Warehousing 83%

Mining, Quarrying, Oil & Gas Extraction 83%

Finance & Insurance 83%

Other Services (except Public Administration) 76%

Administrative/Support;
Waste & Remediation Services 75%

Management of Companies & Enterprises 75%

Arts, Entertainment & Recreation 74%

Health Care & Social Assistance 73%

Manufacturing 73%

Professional, Scientific & Technical Services 70%

Construction 70%

Accommodation & Food Services 67%

Retail Trade 66%

Agriculture, Forestry, Fishing & Hunting 61%

Government Services

<u>Business Incentives</u>	34
<u>Business Assistance</u>	36



Business Incentives



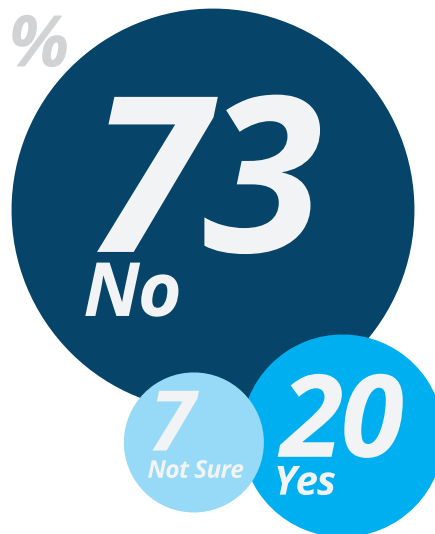
*When you create
dialogue between public
and private enterprises,
great things can happen.*

- Rhonda Hooper
President and CEO,
Jordan Advertising

“““

Oklahoma offers a broad range of finance and incentive options for businesses. Options range from cash-back incentives for jobs created to tax credits. FallinForBusiness examined whether Oklahoma businesses were utilizing available business incentives. Only 20 percent of business owners and executives indicate their businesses utilize current Oklahoma incentive programs. The vast majority, 73 percent, report not utilizing any incentives; an additional 7 percent are unsure whether they have utilized incentives.

Has your business used any Oklahoma business incentive programs?



Oklahoma Business Incentive Programs

- Former Indian Lands Federal Tax Credit
- Oklahoma Quality Jobs Program cash payments
- Small Employer Quality Jobs Program cash payments
- 21st Century Oklahoma Quality Jobs Program cash payments
- Quality Jobs Program – PrimeWIN
- Ad Valorem Property Tax Exemptions
- Oklahoma Freeport Law inventory tax exemptions
- Investment/New Jobs Income Tax Credit
- Aerospace Industry Engineer Work Force Tax Credits
- Insurance Premium Tax Credit
- Alternative Energy Sources Tax Credits
- Clean Burning Fuel Vehicle Credit
- Clean Burning Fuel Vehicle Infrastructure Credit
- Ethanol Fuel Retailer Tax Credit
- New Products Development Income Tax Exemption
- Incubator Site Tenant Tax Exemption
- Federal Work Opportunity Tax Credit Program
- Sales Tax Exemptions
- Sales Tax Refunds
- CareerTech Training for Industry Program
- CareerTech Existing Industry Training Incentives



Of the 20 percent of Oklahoma businesses that did utilize current incentive programs, 60 percent indicate that using one or more of these incentives impacted decision-making in their business.

Opinions are mixed about the effectiveness of the incentives among these businesses. Of the 20 percent of Oklahoma businesses that utilize current incentive programs, 34 percent rate the incentives as “Excellent” or “Good,” 38 percent rate them as “Fair” and 28 percent rate them as “Poor.”

Effectiveness of business incentives:

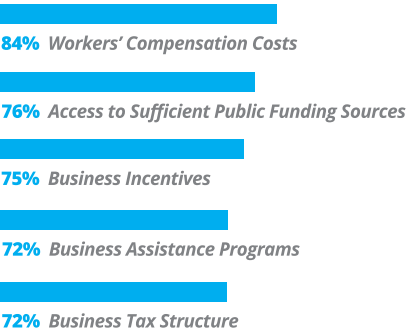
Includes only businesses indicating they have utilized an incentive.



Of the 21 aspects of Oklahoma's business climate rated by executives, business incentives and business assistance programs rate among the bottom five. Of the Oklahoma business leaders surveyed, 75 percent rate state business incentives as “Poor” or “Fair,” and 72 percent rate business assistance programs as “Poor” or “Fair.”

Lowest Ranked Business Climate Factors

% Ratings of Poor or Fair





Business Assistance

Business Friendliness

While they are optimistic about business opportunity in Oklahoma, business owners and executives are not as positive about government services and future legislative changes. Of the business leaders surveyed, 53 percent do not feel that state employees treat businesses as valued customers. Opinions about future legislation are also less positive: 56 percent of business leaders disagree that future legislative changes will positively impact their business. Only 50 percent of Oklahoma business leaders feel the state regulatory environment is business friendly. This finding aligns with CNBC's national ranking of Oklahoma as 24th for Business Friendliness: Regulation and Litigation.

Business Friendliness

% Ratings of Somewhat Disagree
+ Strongly Disagree

56% I believe that future state legislative changes will impact my business in a positive way

53% State employees treat businesses as valued customers

50% The regulatory environment in Oklahoma is business friendly

Use of Oklahoma Service Providers

Oklahoma leaders were asked if their businesses had utilized Oklahoma agencies or service providers for training, workforce, financial or technical assistance. Of the businesses surveyed, 34 percent indicate they have utilized agencies or service providers. Of those businesses that have utilized Oklahoma agencies or service providers, 66 percent indicate this assistance impacted decision-making in their businesses.

Oklahoma Business Assistance Programs

Employee Training Assistance

- CareerTech new employee training
- CareerTech existing employee training
- CareerTech safety training
- Higher Education customized industry training

Workforce Assistance

- Hiring assistance from local state employment service office
- Hiring graduates from career technology centers
- Hiring graduates from colleges and universities
- Rapid Response services for laid off employees
- Insure Oklahoma employee health benefits

Financing Assistance

- U.S. Small Business Administration (SBA) loans
- U.S. Department of Agriculture (USDA) business loans
- Oklahoma Industrial Finance Authority (OIFA) financing
- Oklahoma Development Finance Authority (ODFA) bond financing
- REI (Rural Enterprises Inc.) business financing services

Consulting/Technical Assistance

- SCORE – Service Corp of Retired Executives consulting services
- CareerTech Small Business Management services
- SBA Small Business Development Center (SBDC) service
- CareerTech Bid Assistance services/ government contracting
- Commerce business start-up, expansion and incentive assistance
- Manufacturing Alliance consulting services
- OSU New Product Development Center services
- OSU Food and Agricultural Products Center (FAPC) consulting service
- i2e (Innovation to Enterprise) consulting and financial services for technology-based businesses
- OCAST (Oklahoma Center for the Advancement of Science and Technology) consulting and financial services for research and development

07

Executive Challenges



Top 5 Executive Challenges



This survey is invaluable when it comes to serving our state and helping our leadership make the right decisions for Oklahoma.

- Don Walker
President, Arvest Bank
Tulsa, Oklahoma



According to The Conference Board, the top five U.S. CEO challenges in 2011 included:

1. **Business growth**
2. **Talent (acquisition/retention)**
3. **Cost optimization**
4. **Innovation**
5. **Government regulation**

Similarly, increasing sales and retaining talent are top of mind for Oklahoma business leaders. However, virtually all (95 percent) of Oklahoma's business leaders report customer loyalty and retention to be the greatest challenge facing the future success of their businesses. This closely mirrors national data indicating that CEOs

across the nation are becoming increasingly challenged by the need to meet changing customer demands (PwC, 15th Annual Global CEO Survey, 2012).

Oklahoma's business leaders report top challenges, with more than 80 percent, as follows:

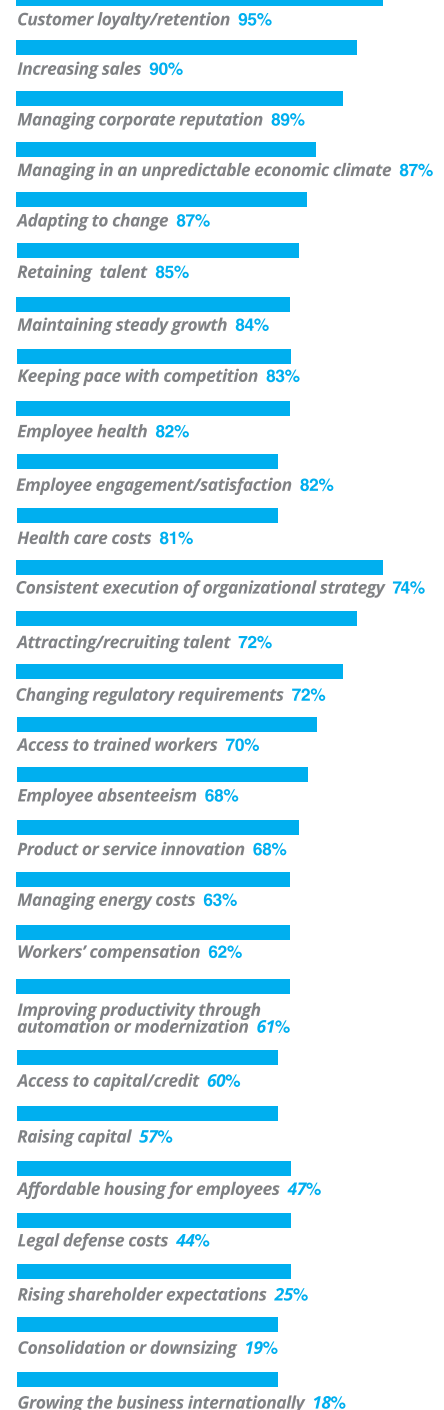


One survey respondent sums up the challenges, "We could employ several people for what we pay in insurance premiums... Our customers have no idea most of the time what it costs to do business in today's world and pay a living wage to our employees." Another said, "We are in need of liquid capital to retain our business. We have long-time customers who even send us material when we are out... We have too much debt and no capital to help keep enough material and keep our customers."

The chart at the right presents a top-to-bottom ranking of executive challenges by Oklahoma business leaders. Survey respondents could list as many challenges as applied to their businesses.

Please rate the importance of the following business challenges to the success of your business in the near future:

% Absolutely Critical + Important





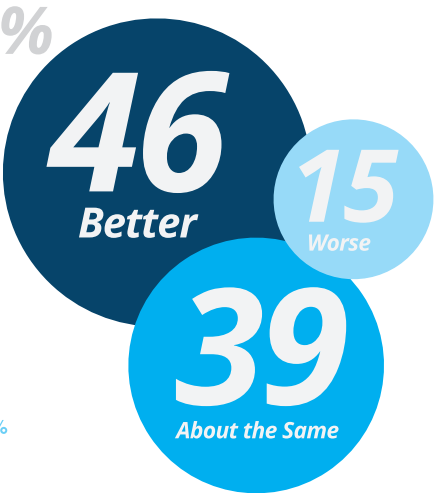
Revenue Growth

Despite the fact that business leaders appear optimistic about the future for business in Oklahoma, they appear cautious about anticipated revenue growth. When asked about this aspect of their business for this year compared to last, 46 percent of business leaders believe revenue growth will be better,

39 percent believe it will be about the same as last year and 15 percent believe their revenue growth will be worse.

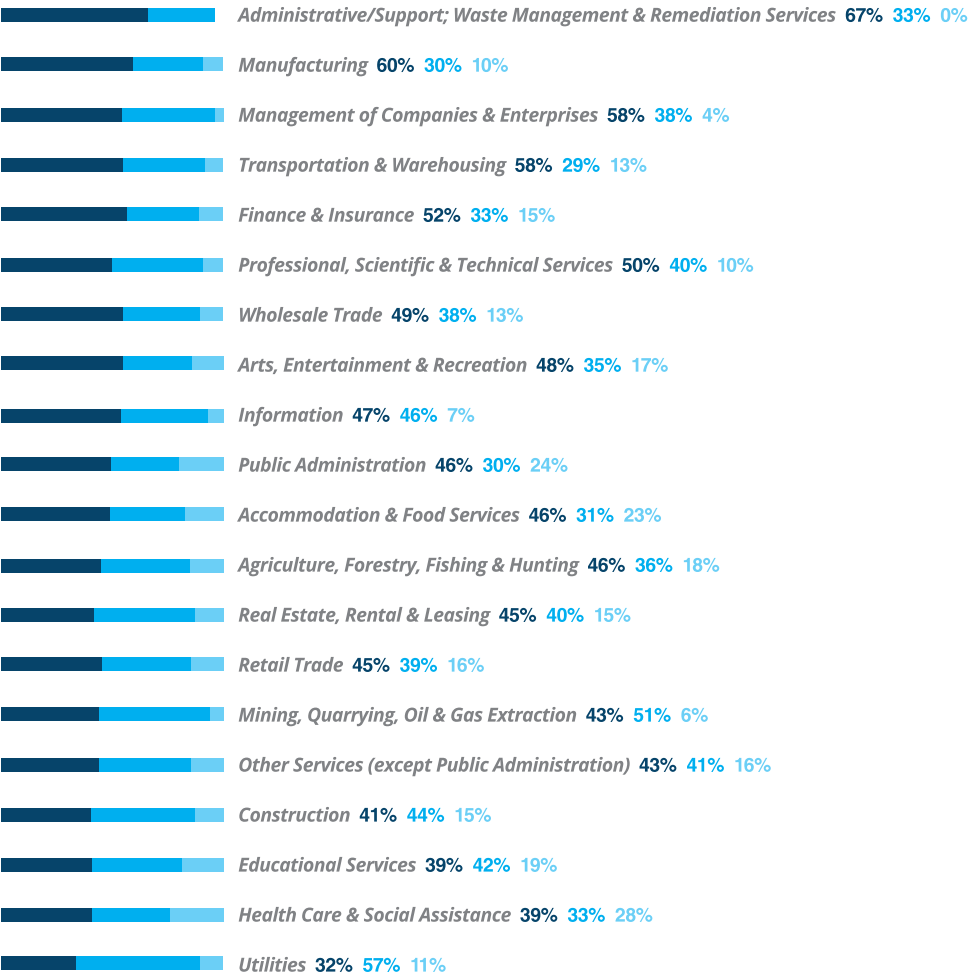
Of the businesses surveyed in Oklahoma and Tulsa Counties, 50 percent or more report anticipated revenue growth.

How do you expect next year’s revenues to compare to those from this year?



How do you anticipate next year’s revenues to compare to those from this year?

Better About the Same Worse





Sales Growth

When looking at projected sales growth for 2012, despite cautious predictions about revenue growth compared to the prior year, a majority of Oklahoma businesses predict healthy increases. Oklahoma business leaders were asked how much growth they anticipate for 2012. Although increasing sales ranks number two on the list of executive challenges, statewide, a majority of business leaders are positive about sales growth, with only 14 percent of business leaders anticipating no growth in sales, while 10 percent believe sales will decline.

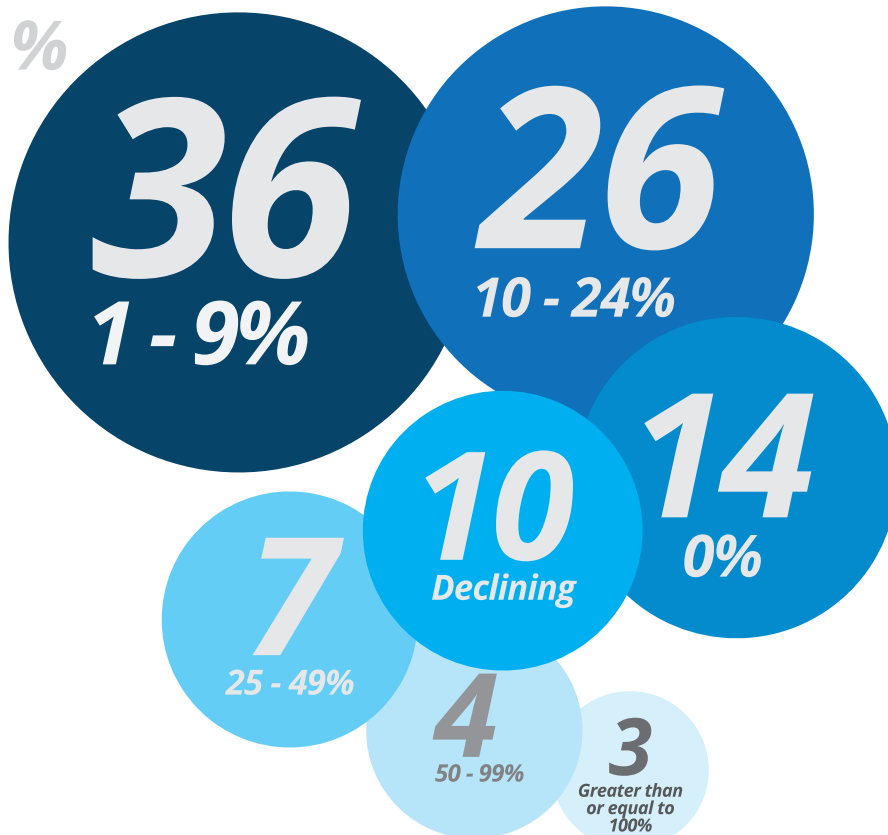
Health Care

Business leaders find that employee health and health care costs pose substantial challenges to the future success of their businesses. An overwhelming majority of leaders rate these as either important or critical to their future business success. These findings align with growing national concern over the health of Oklahoma's workforce and the rising costs associated with poor health among Oklahomans. National rankings place Oklahoma as surpassing only two states – Louisiana and Mississippi – in overall health of the

population (United Health Foundation, 2011). Research sponsored by the United Health Foundation also forecasts that by the year 2018, health care costs attributable to obesity will be higher in Oklahoma than anywhere else in the nation (United Health Foundation, 2009).

“Any programs that help to raise public awareness concerning preventive medical care and healthy lifestyle are good for Oklahoma citizens and for us as a business.”
-Survey Respondent

Compared to this year's sales, how much growth in sales do you anticipate for the upcoming year?



Please rate the importance of the following challenges to the success of your business:

% Important & Absolutely Critical

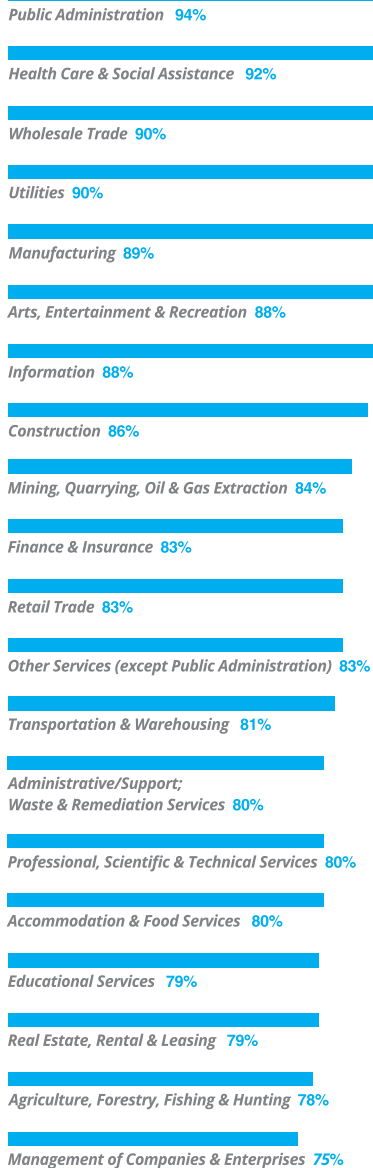
82% Employee health

81% Health care costs



Please rate the importance of *Employee Health* to the success of your business

% Important + Extremely Important



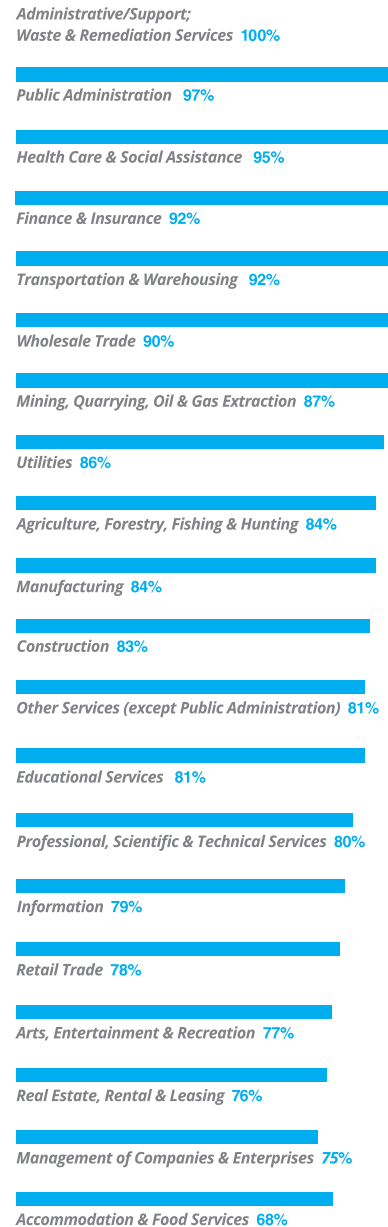
Business leaders across all industries expressed concern with worker health. More than 80 percent of leaders, in all but four industries, rate employee health as a significant challenge for their business. Leaders least concerned about the impact of worker health on their future business success fell within the Management (of companies and industries) sector (75 percent). Leaders who express the greatest concern over worker health are in the industries of Public Administration (94 percent), Health Care and Social Assistance (92 percent), Wholesale Trade (90 percent), and Utilities (90 percent).

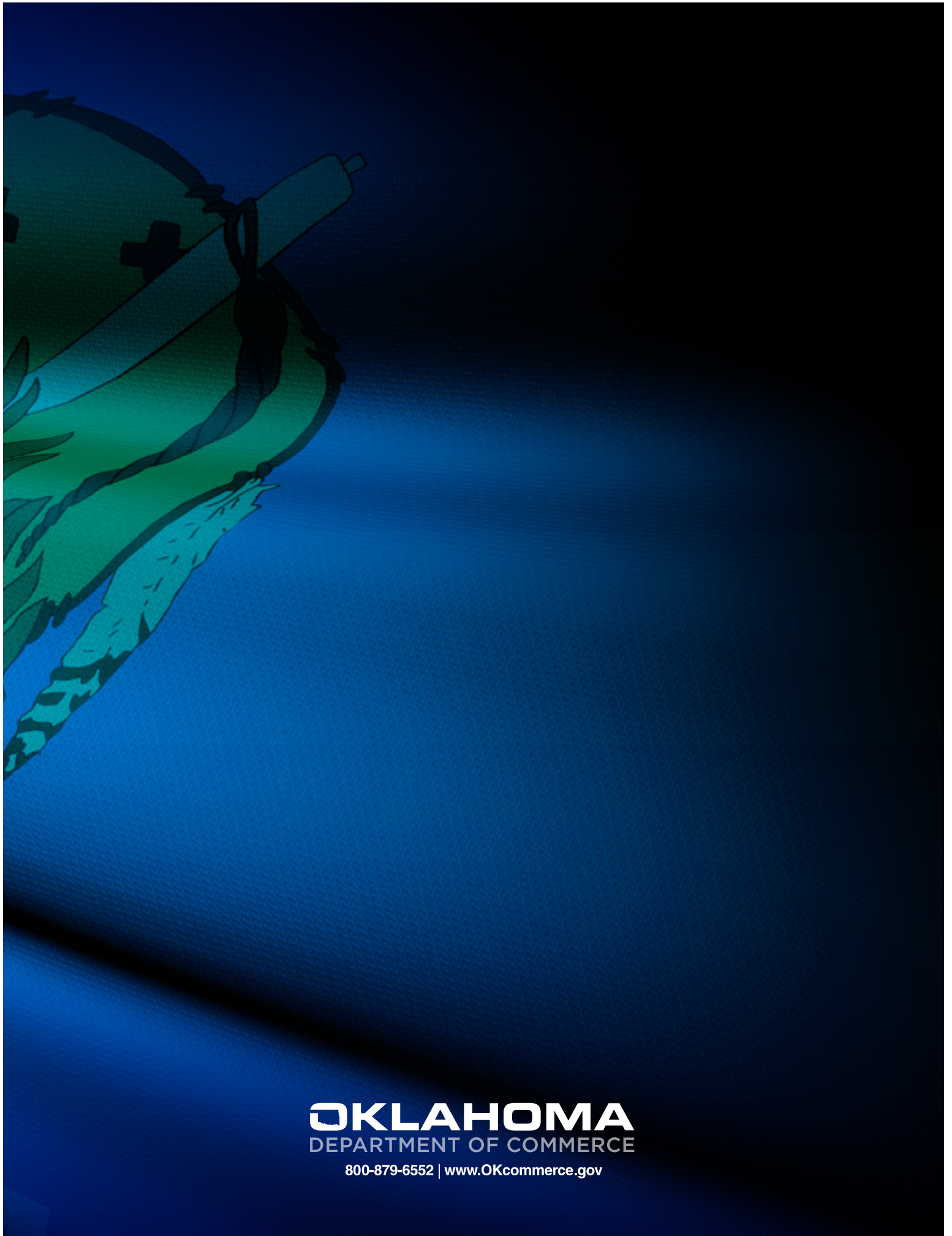
Oklahoma business leaders across all industries also express concern with the effect of health care costs on future business success. Similar to results for worker health, more than 80 percent of Oklahoma business leaders, in all but six industries, rate health care costs as either important or critical to their future business success. The industry with leaders least concerned with these costs was Accommodation and Food Services (68 percent). Leaders with the strongest concerns are in Administration and Waste Services (100 percent), Public Administration (97 percent), and Health Care and Social Assistance (95 percent).

“To be competitive in the employee labor market, health insurance rates have to be lower. Small businesses cannot compete with the larger companies as far as health insurance rates.”
-Survey Respondent

Please rate the importance of *Health Care Costs* to the success of your business

% Important + Extremely Important





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